Performance Summary

SA Metropolitan Fire Service Super Scheme – Members

April 2022

Funds SA is responsible for investing the assets of the SA Metropolitan Fire Service Superannuation Scheme. In this summary, Funds SA provides an overview of the performance of the investment options offered under the Scheme.

Performance

The table and chart below show Funds SA's Taxable investment option returns based on the post-tax unit pricing model.

Table 1: Taxable investment option returns to 30 April 2022

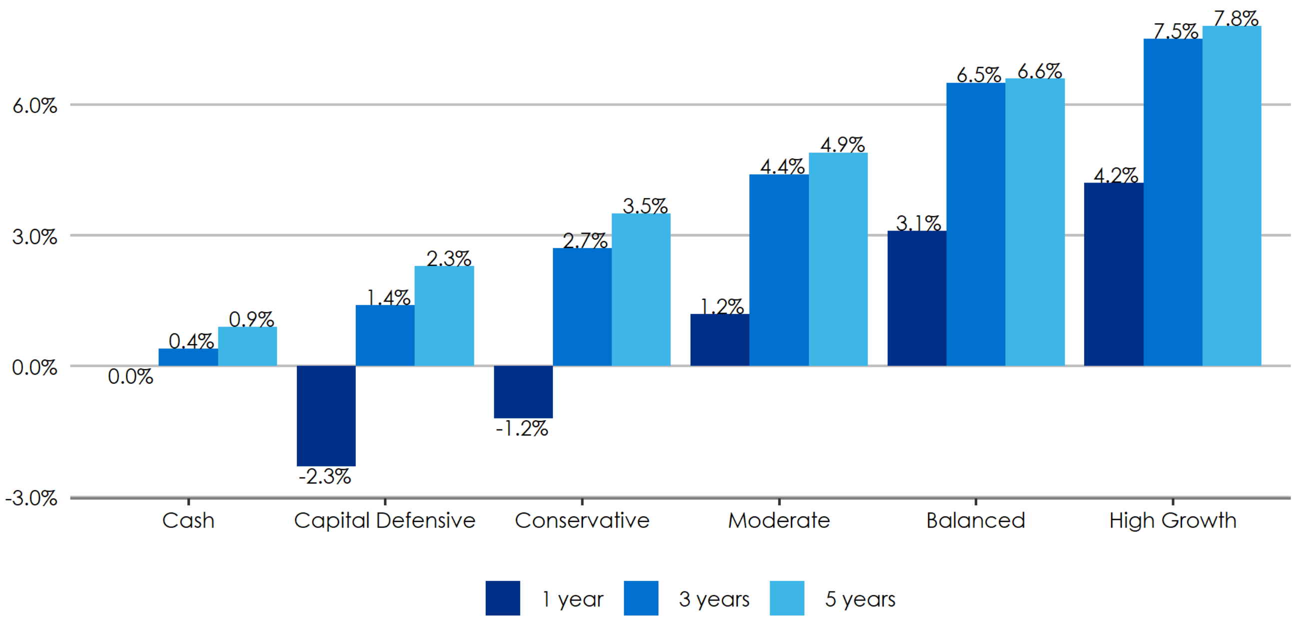
Returns are net of fees and tax

Investment option	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash	0.0	0.0	0.0	0.0	0.4	0.9	1.2	1.6
Capital Defensive	-1.1	-2.6	-3.1	-2.3	1.4	2.3	2.5	3.4
Conservative	-1.3	-2.6	-2.7	-1.2	2.7	3.5	3.7	4.9
Moderate	-1.3	-2.0	-1.2	1.2	4.4	4.9	4.9	6.1
Balanced	-1.5	-1.7	-0.3	3.1	6.5	6.6	6.3	7.6
High Growth	-1.7	-1.6	0.4	4.2	7.5	7.8	7.6	9.2

Note: The Taxable investment options were established in March 2005, with the exception of the Moderate investment option (established in June 2006)

Chart 1: Taxable investment options annualised returns to 30 April 2022

Returns are net of fees and tax



Key drivers of performance:

- Returns across all investment options were negative as investment markets continued to navigate a range of challenges.
- The International Equities asset class was the common key detractor to returns as sentiment turned negative, company earnings prospects began to be questioned, and markets endured heavy selling pressure.
- Fixed Interest and Credit asset classes were negative as bond prices fell, with markets pricing expectations for higher interest rates.
- The alternative assets within Diversified Strategies Income, along with Property, provided some cushioning to the negativity.
- Diversified Strategies Growth offered small positive returns for the growth-oriented investment options as Private Markets benefited from the receipt of December and March quarter valuations.
- The Reserve Bank of Australia (RBA) kept the Official Cash Rate (OCR) at its historic low, however, the market is pricing a historically aggressive tightening cycle with the OCR expected to increase from 0.10% to 2.50% by the end of the year.
- At the time of writing, the RBA had increased the OCR from 0.10% to 0.35% (3 May 2022).

Asset allocation

The asset allocation of the Funds SA Taxable investment options is shown in the table below.

Table 2: Asset allocation as at 30 April 2022

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	High Growth %
Cash	100.0	11.9	8.9	7.5	2.8	3.0
Fixed Interest	0.0	39.1	25.1	17.0	10.1	0.0
Inflation-Linked Securities Taxable	0.0	14.8	14.8	10.8	4.8	0.0
Diversified Strategies Income	0.0	17.0	18.0	12.0	8.0	6.8
Property Taxable	0.0	5.4	8.4	9.2	11.0	15.8
Australian Equities Taxable	0.0	5.0	11.1	18.3	26.4	29.6
International Equities Taxable	0.0	6.7	13.7	19.2	27.1	33.3
Diversified Strategies Growth Taxable	0.0	0.0	0.0	5.9	9.6	11.6
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note that due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

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Financial market snapshot

The table below summarises financial market performance.

Table 3: Major market index returns to 30 April 2022

Market index	1 month %	3 months %	FYTD %	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.
Cash and Fixed Income								
Australian Cash	0.0	0.0	0.0	0.0	0.4	1.0	1.3	1.8
Australian Government	-1.5	-6.7	-8.7	-7.5	-1.2	1.3	1.7	2.8
Australian Inflation-Linked	-1.6	-6.8	-6.2	-4.7	1.2	2.6	2.3	3.7
Global Treasuries	-2.4	-5.4	-6.6	-6.0	-0.1	1.3	2.0	3.5
Global Inflation-Linked	-3.2	-4.2	-1.2	0.8	3.8	3.3	4.0	4.5
Credit								
Global Credit	-4.2	-8.5	-10.9	-9.6	-0.2	1.4	2.2	3.9
Global High-Yield	-3.8	-6.6	-9.2	-7.9	0.2	1.7	3.6	5.7
Emerging Market Debt	-5.5	-11.7	-14.7	-13.0	-1.4	0.2	1.9	2.7
Property								
Australian Listed Property	0.7	3.7	8.3	16.4	7.0	8.0	8.8	12.0
Equities								
Australian Equities	-0.8	8.2	5.3	10.2	9.7	9.0	8.1	9.9
Global Equities	-6.9	-6.5	-3.4	-0.1	10.9	10.4	9.1	11.3
US Equities	-8.7	-8.2	-2.8	0.2	13.8	13.7	12.4	13.7
European Equities	-0.7	-3.1	0.6	4.6	6.3	5.5	5.1	8.3
Japanese Equities	-2.5	1.3	0.1	2.7	8.3	7.0	4.8	11.4
Asia (ex Japan) Equities	-3.5	-7.5	-18.8	-17.6	3.3	5.8	4.3	6.2
Emerging Market Equities	-3.5	-7.7	-16.0	-14.1	4.5	6.6	5.2	6.3
Global Small Companies	-7.8	-6.5	-13.4	-12.0	7.5	7.6	7.3	9.5
Currency								
Australian Dollar vs Developed Market Basket	-4.4	1.8	-3.0	-5.4	0.5	-1.0	-1.2	-2.8

Note:

Returns hedged to the Australian Dollar: Global Treasuries, Global Inflation-Linked, Global Credit, Global High-Yield.

Equity returns are expressed in local currency.

Emerging Market Debt is hedged to the US Dollar.

Currency: A positive number represents appreciation of the Australian Dollar. A negative number represents a depreciation of the Australian Dollar.

Financial market commentary

April was broadly negative for investment markets as investors continued to navigate the challenges of:

- the ongoing Russia-Ukraine conflict and the impact on energy prices,
- lockdowns in China, impact on economic growth and already stretched supply chains,
- higher inflation,
- and significantly tighter monetary policy.

Inflation and central bank actions dominated the market environment. Central banks, and consequently markets, continued to ramp up expectations for bigger jumps in official policy rates to combat escalating inflation. Major central banks signalled the potential for larger rate hikes at their May meetings, with elevated inflation creating a sense of urgency for central banks.

Central banks that increased rates in April included the Reserve Bank of New Zealand and the Bank of Canada, both citing inflationary pressures as the key driver for increasing rates. While the US Federal Reserve (the Fed) did not hold a meeting in April, the market has priced in an aggressive 0.5% hike at the next three meetings, estimating the cash rate will be ~3% by the end of the year.

The European Central Bank (ECB) and the Reserve Bank of Australia (RBA) continued to hold rates. The ECB noted they believe the current inflation spike is being fuelled by an energy supply shock, vowing to address the issue in a "sequential, flexible, and gradual way". The RBA abandoned its narrative around patience, signalling the bank would be giving much greater attention to global inflationary risks and the responses of other central banks. Australian inflation hit a 20-year high and it was viewed this print would hold significant weight in the RBA's decision on timing to move rates. At the time of writing, the RBA had increased the OCR from 0.10% to 0.35% on 3 May.

The heightened central bank action led to bond market volatility, also impacting equity markets. International equity markets finished the month in negative territory with poor earnings season results from big name stocks, such as Netflix, Google, Facebook, Amazon, and Apple, driving the majority of negative performance. The Australian equity market was also negative, albeit only slightly. Our market provided somewhat of a cushion to returns given the dominance of the big banks (which tend to do well in a rising rate environment) and commodities stocks benefiting from rising commodity prices.